

## Message Text

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ORIGIN EB-07

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EUR/EE - MR. CHRISTENSEN

CAB - R.MILLER

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FM SECSTATE WASHDC

TO AMEMBASSY BELGRADE IMMEDIATE

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E.O. 11652, N/A

TAGS: EAIR, YO

SUBJECT:CIVAIR - RENEWAL OF PAN AMERICAN OPERATING PERMIT

REF: BELGRADE 2818; COOK-TAYLOR TELECON

1. DEPT SERIOUSLY CONCERNED ABOUT THREATENED SUSPENSION OF PAN AMERICAN FLIGHTS AND GOY REFUSAL TO RENEW PAN AM'S PERMIT BECAUSE OF ITS STATED UNHAPPINESS WITH THE STATUS OF CIVAIR NEGOTIATIONS ON INTERIM ARRANGEMENT FOR JAT SCHEDULED SERVICE. AS INDICATED IN THE COOK-TAYLOR TELECON, THE DEPT HAD RECEIVED ON MONDAY, 19TH, A DRAFT PROPOSAL FROM YUGO-SLAV EMBASSY AND AN APPEAL FOR URGENT CONSIDERATION BY THE U.S. AT THAT TIME THE YUGOSLAV EMBASSY OFFICER INDICATED THAT PAN AM'S PERMIT WAS TO EXPIRE ON MAY 1 AND THAT FAILURE OF THE U.S. TO RESPOND PROMPTLY COULD JEOPARDIZE THE EXTENSION OF PAN AM'S PERMIT. THE YUGOSLAV OFFICER ALSO

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INDICATED THAT THE POSITION CONTAINED IN THEIR PROPOSAL WAS

"FINAL" REPRESENTING THE BEST CONCESSIONS POSSIBLE UNDER PRESENT YUGOSLAV LAW.

2. ON WEDNESDAY, THE DEPT HAD SECURED CAB APPROVAL FOR THE YUGOSLAV PROPOSAL AND NOTIFIED YUGOSLAV EMBASSY OF OUR AGREEMENT. DEPT ALSO TOLD YUGOSLAV EMBASSY OFFICER THAT THE DEPT WOULD HAVE TO SECURE AUTHORIZATION TO SIGN THE

AGREEMENT INASMUCH AS THE DRAFT AGREEMENT WAS AD REFERENDUM. THE YUGOSLAV EMBASSY CALLED BACK AN HOUR LATER AND SAID THAT BELGRADE HAD JUST SENT "NEW INSTRUCTIONS" MODIFYING THE PROPOSED LANGUAGE OF THE AGREEMENT. HE STATED HE WOULD PRESENT THIS NEW PROPOSAL THE NEXT DAY.

3. ON THURSDAY AFTER RECEIVING REFTEL, DEPT CALLED IN YUGOSLAV EMBASSY OFFICERS. THEY DELIVERED THEIR GOVT'S LAST MINUTE CHANGES WHICH COVERED DINAR SALES BY PAN AM IN YUGOSLAVIA AND WHICH REPRESENTED A SIGNIFICANT RETRENCHMENT FROM THE POSITION SET FORTH IN THEIR EARLIER PROPOSAL. DEPTOFF (STYLES) THEN EXPLAINED THAT WE WERE VERY UPSET BY GOY NEGOTIATING TACTICS. THE THREATS AGAINST PAN AM COUPLED WITH THIS RETRENCHMENT FROM PREVIOUS POSITION CLEARLY THREATEN THE CONTINUATION OF NEGOTIATIONS. HE EXPLAINED THAT UNDER NO CIRCUMSTANCES WOULD THE U.S. PURSUE THESE NEGOTIATIONS IF THE YUGOSLAV AUTHORITIES PREVENTED PAN AM FROM CONTINUING ITS FLIGHTS TO YUGOSLAVIA AND REFUSED TO EXTEND PAN AM'S PERMIT UNTIL THE NEGOTIATIONS HAD CONCLUDED. HE REQUESTED THE YUGOSLAV EMBASSY TO INFORM BELGRADE THAT THE U.S. AUTHORITIES WOULD NOT CONSIDER THEIR LAST MINUTE PROPOSAL UNTIL WE HAD RECEIVED ASSURANCES THAT GOY WILL AUTHORIZE PAN AM TO OPERATE UNTIL THESE NEGOTIATIONS HAVE CONCLUDED.

4. DRAWING ON ABOVE, EMBASSY IS REQUESTED TO MAKE URGENT DEMARCHE AT HIGHEST LEVEL OF GOY IT DEEMS APPROPRIATE AND MAKE FOLLOWING POINTS:

(A) THE USG DISTURBED BY RECENT ACTIONS BY GOY IN CIVIL AVIATION NEGOTIATIONS. THE REFUSAL OF THE YUGOSLAV AUTHORITIES TO EXTEND PAN AM'S PERMIT UNTIL CONCLUSION OF LIMITED OFFICIAL USE

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THESE NEGOTIATIONS AND ITS LAST MINUTE ABOUT FACE ON THE PAN AM DINAR SALE ISSUE SERIOUSLY THREATEN THE CONCLUSION OF AN AGREEMENT WHICH WILL PERMIT JAT TO COMMENCE SCHEDULED SERVICES TO THE U.S.

(B) THE USG WILL NOT CONSIDER THE RECENT PROPOSALS MADE BY THE YUGOSLAV EMBASSY AFTER THE NEGOTIATIONS HAD, IN EFFECT, BEEN CONCLUDED AND AN AGREEMENT REACHED UNTIL IT

RECEIVES ASSURANCES THAT PAN AM'S PERMIT WILL BE EXTENDED  
UNTIL THE NEGOTIATIONS, WHICH GOY REOPENED, ARE CONCLUDED.

(C) WHILE THE U.S. HAS BEEN AWARE OF THE DESIRE OF THE  
YUGOSLAV CARRIER TO COMMENCE SERVICES TO THE U.S. AS SOON  
AS POSSIBLE, WE WERE SURPRISED TO SEE RECENT ANNOUNCEMENTS  
THAT JAT WOULD BEGIN SERVICES ON MAY 4. SINCE NEGOTIATIONS  
HAVE NOT YET PRODUCED AN AGREEMENT, THIS ANNOUNCEMENT CAN  
CONFUSE THE PUBLIC AND CREATE EXPECTATIONS WHICH ARE

UNREALISTIC. MOREOVER, IT SHOULD BE NOTED THAT EVEN IF  
NEGOTIATIONS CAN BE COMPLETED AFTER THESE RECENT SETBACKS,  
THE AGREEMENT WILL REQUIRE JAT TO OBTAIN A FOREIGN AIR  
CARRIER PERMIT FROM THE CIVIL AERONAUTICS BOARD AND TO  
CONCLUDE CERTAIN AGREEMENTS WITH PAN AMERICAN BEFORE IT  
COMMENCES SERVICE TO THE U.S. OTHER PROCEDURAL REQUIRE-  
MENTS SUCH AS FILING TARIFFS AND OBTAINING OPERATIONS  
SPECIFICATIONS FROM THE FAA MUST ALSO BE MET. THEREFORE,  
IT WOULD BE CLEARLY UNREALISTIC FOR JAT TO EXPECT TO BEGIN  
SERVICE IMMEDIATELY ON CONCLUSION OF AN AGREEMENT.

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